

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 EURE-00 SP-02 USIA-15
AID-05 EB-08 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 DODE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AGRE-00 FEAE-00 /121 W
-----036348 241738Z /41

O R 241712Z AUG 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7617
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

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USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD AUG. 18-24

1. SUMMARY: UNEMPLOYMENT IN JULY INCREASED FOR THE THIR
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STRAIGHT MONTH. THE GOVERNMENT CONTINUES TO PRESS FOR
ADHERENCE TO ITS PAY GUIDELINES. M3 IN JULY INCREASED
NOTICEABLY BUT THE THREE-MONTH INCREASE IS WITHIN THE
GOVERNMENT'S TARGET RANGE. INITIAL ESTIMATES OF GDP AND
A SECOND ESTIMATE OF PRIVATE CONSUMPTION SHOW BOTH DECLI-
NING IN THE SECOND QUARTER OF THIS YEAR. THE NATIONAL
SAVINGS CONTINUED ITS SUBSTANTIAL GROWTH IN JULY, HELPING

TO CONTROL THE GROWTH OF THE MONEY STOCK. 1.4 BILLION POUNDS OF TWO NEW GOVERNMENT BONDS WILL BE ISSUED THURSDAY. END SUMMARY

2. STERLING M3, THE BROADLY DEFINED MONETARY AGGREGATE GREW 522 MILLION POUNDS (S.A.), OR 1.3 PER CENT, TO 41.140 BILLION POUNDS IN THE FIVE WEEK BANKING MONTH ENDED JULY 20. THE NARROWLY DEFINED AGGREGATE, M1, GREW 430 MILLION POUNDS, OR 2.2 PER CENT OVER THE SAME PERIOD. M3 HAS INCREASED 2.9 PER CENT OVER THE LAST THREE MONTHS AN INCREASE CONSISTENT WITH THE GOVERNMENT'S 9-13 PER CENT TARGET RANGE FOR THE FINANCIAL YEAR BEGINNING APRIL 20.

DOMESTIC CREDIT EXPANSION (DCE) WAS A NEGATIVE 285 MILLION POUNDS (S.A.) IN THE JULY 20 MONTH. THE SALE OF BP STOCK REDUCED THE GOVERNMENT'S BORROWING NEEDS MORE THAN ENOUGH TO OFFSET A 347 MILLION POUND INCREASE IN STERLING BANK LENDING TO THE PRIVATE SECTOR. DCE NOW STANDS AT 933 MILLION POUNDS FOR THE FIRST THREE MONTHS OF THE FINANCIAL YEAR, COMPARED WITH A 7.7 BILLION POUND DCE LIMIT FOR THE ENTIRE FINANCIAL YEAR.

THE TOTAL LIABILITIES OF THE BANKING SECTOR ROSE 1.694 BILLION POUNDS (SEASONALLY UNADJUSTED). WHILE THE INCREASE IN PUBLIC AND PRIVATE DOMESTIC DEPOSITS AMOUNTED UNCLASSIFIED

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TO BUT 444 MILLION POUNDS, OVERSEAS DEPOSITS CONTRIBUTED 884 MILLION POUNDS TO THE GROWTH IN LIABILITIES.

3. UNEMPLOYMENT IN THE U.K. ROSE (S.A. EXCLUDING SCHOOL LEAVERS) 11,700 TO 1,413,900, OR 6.0 PER CENT OF THE LABOUR FORCE, IN THE FOUR WEEKS ENDING AUGUST 12. THE SEASONALLY UNADJUSTED RATE ROSE 13,591 TO 1,635,950 OR 6.9 PER CENT OF THE LABOR FORCE. THE TOTAL INCREASE IN UNEMPLOYMENT SINCE MID MAY HAS BEEN 98,000.

THE DEPARTMENT OF EMPLOYMENT RELEASED UNEMPLOYMENT STATISTICS FOR SPECIFIC REGIONS ALONG WITH THIS MONTH'S NATIONWIDE STATISTICS. THE STATISTICS SHOW SUBSTANTIALLY DIFFERENT MOVEMENTS IN UNEMPLOYMENT OVER THE YEAR FOR DIFFERENT REGIONS. AT THE EXTREMES THE UNEMPLOYMENT RATE IN SCOTLAND INCREASED FROM 6.9 PER CENT TO 7.9 PER CENT OVER THE YEAR WHILE THE WEST MIDLANDS RATE REMAINED AT 5.6 PER CENT OVER THE YEAR.

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SIL-01 L-03 H-02 PA-02 PRS-01 DODE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AGRE-00 FEAE-00 /121 W
-----036477 241738Z /41

O R 241712Z AUG 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7618
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
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REGION	UNEMPLOYMENT RATE IN PER CENT (SEASONALLY ADJUSTED)	
	AUGUST 1977	AUGUST 1976
SCOTLAND	7.9	6.9
NORTH	7.9	7.3
NORTHERN IRELAND		10.8 10.1
NORTH WEST	7.1	6.7
WALES	7.7	7.1
SOUTH WEST	6.6	6.3

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YORKSHIRE & HUMBERSIDE 5.6 5.3

W. MIDLANDS	5.6	5.6
E. MIDLANDS	5.1	4.8
EAST ANGLIA	5.3	5.0
SOUTH EAST	4.5	4.2

THE PRESS SPECULATES, ON THE BASIS OF STATEMENTS BY SOME TRADE UNION LEADERS, THAT THE GOVERNMENT WILL BE UNDER PRESSURE TO REFLATE THE ECONOMY AS A RESULT OF THE CLIMBING UNEMPLOYMENT STATISTICS. SUCH A REFLATION MIGHT ALLOW LARGE WAGE INCREASES, WHILE ATTENUATING ANY UNEMPLOYMENT INCREASES RESULTING FROM EXCESSIVE SETTLEMENTS. THE SCOPE FOR REFLATION IS, HOWEVER, LIMITED BY THE GOVERNMENT'S FINANCIAL AND FISCAL TARGETS AGREED WITH THE IMF.

4. THE PRELIMINARY ESTIMATE OF THE GROSS DOMESTIC PRODUCT (BASED ON OUTPUT DATA) SHOWED A 0.9 PER CENT DECLINE IN THE SECOND QUARTER OF 1977. THIS ESTIMATE IS BASED ON THE INDUSTRIAL PRODUCTION INDEX AND PARTIAL INFORMATION ON THE REST OF THE ECONOMY. THIS ESTIMATE IS AVAILABLE EARLIER THAN THOSE BASED ON INCOME AND OUTPUT DATA, BUT THE DIFFERENT ESTIMATES CAN MOVE IN DIFFERENT DIRECTIONS. THE SECOND QUARTER FALL IS HOWEVER CONSISTENT WITH OTHER INDICATIONS OF THE MOVEMENT OF ECONOMIC ACTIVITY SUCH AS CONSUMER EXPENDITURE.

GDP AT CONSTANT FACTOR COST

BASED ON (1970 100)

EXPENDITURE INCOME OUTPUT

DATA DATA DATA

1976 109.9 108.6 108.2

1976 III 109.2 108.2 107.6

IV 111.3 109.2 109.3

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1977 I 109.6 107.8 109.8

II 108.8

5. THE SECOND PRELIMINARY ESTIMATE OF CONSUMERS' EXPENDITURE FOR THE SECOND QUARTER OF 1977 REVISED THE FIRST ESTIMATE DOWNWARD BY 50 MILLION POUNDS TO 8,620 MILLION POUNDS (S.A. AND IN 1970 PRICES). SECOND QUARTER CONSUMPTION IS ESTIMATED TO HAVE FALLEN 1.1 PER CENT AFTER FALLING 2.4 PER CENT IN THE FIRST QUARTER. CONSUMPTION OF FOOD, DRINK AND TOBACCO ARE HOWEVER ESTIMATED TO HAVE INCREASED 21 MILLION POUNDS TO 2753 MILLION POUNDS, WHILE HOUSING, FUEL AND LIGHT INCREASED 28 MILLION POUNDS TO 1576 MILLION POUNDS IN SPITE OF THE FALL IN THE AGGREGATE.

6. THE NATIONAL SAVINGS CONTINUED ITS RAPID GROWTH

IN JULY. NET NEW SAVINGS WERE 249.5 MILLION POUNDS IN THE FIVE WEEKS ENDING JULY 30, AND 580.8 MILLION IN THE FIRST 18 WEEKS OF THE CURRENT FINANCIAL YEAR. DURING THE ENTIRE 1976/77 FINANCIAL YEAR, NET NEW SAVINGS INCREASED 694 MILLION POUNDS, AND DURING 1975/76, 361 MILLION POUNDS.

NATIONAL SAVINGS BANK INVESTMENT ACCOUNTS, OFFERING 10 PER CENT INTEREST AND OPEN TO NON-PROFIT INSTITUTIONS, HAVE BEEN THE MOST SIGNIFICANT ATTRACTION OF THE NATIONAL SAVINGS. THE NET INFLOW INTO THE ACCOUNTS AMOUNTED TO 205.8 MILLION POUNDS IN JULY. A 50 POUND PER ACCOUNT LIMIT HAS BEEN IMPOSED ON THESE ACCOUNTS TO LIMIT THEIR FUTURE USE BY FINANCIAL INSTITUTIONS, AND THEY ARE EXPECTED TO SHOW A SHARPLY REDUCED INFLOW IN THE CURRENT MONTH.

7. THE GOVERNMENT BROADENED THE SANCTIONS IT MAY USE AGAINST FIRMS BREAKING ITS PAY POLICY. EXPORT CREDIT GUARANTEE DEPARTMENT COVER UNDER "TITLE 2" MAY NOW BE UNCLASSIFIED

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DENIED ON THE GROUNDS OF NON-COMPLIANCE WITH GOVERNMENT PAY GUIDELINES. "TITLE 2" COVER IS GRANTED IN CASES WHICH CANNOT BE JUSTIFIED ON A COMMERCIAL BASIS BUT WHICH THE GOVERNMENT DEEMS TO BE "IN THE NATIONAL INTEREST."

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AID-05 EB-08 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 DODE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AGRE-00 FEAE-00 /121 W
-----036455 241739Z /41

O R 241712Z AUG 77
FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7619
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
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AMCONSUL BELFAST
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THE NEW POLICY WILL NOT AFFECT COVER THAT HAS ALREADY
BEEN OFFERED. THE GOVERNMENT'S MOVE HAS NOT ELICITED
SIGNIFICANT PROTEST.

8. TWO NEW GOVERNMENT GILTS WITH 1.4 BILLION POUNDS PAR
VALUE WERE ANNOUNCED AUGUST 19. ONE GILT, THE EXCHEQUER
3 PER CENT 1983, PRICED AT 87 POUNDS PER HUNDRED AND
YIELDING 5.795 PER CENT TO REDEMPTION, IS AIMED AT
PRIVATE HOLDERS WHO WILL BE ATTRACTED BY THE LARGE PORTIO
OF THE YIELD ACCRUING AS A CAPITAL GAIN. THE BID PRICE
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OF THIS 600 MILLION POUND ISSUE IS FULLY PAYABLE ON AP-
PLICATION. THE OTHER GILT, THE TREASURY 12 PER CENT 1983
PRICED AT 96.75 POUNDS PER HUNDRED AND YIELDING 10.011
PER CENT TO REDEMPTION REQUIRES ONLY 15 POUNDS TO BE PAID
ON APPLICATION. A SECOND PAYMENT OF 30 POUNDS IS DUE
SEPTEMBER 19, AND A FINAL PAYMENT OF 51.75 POUNDS IS DUE
OCTOBER 24. THE APPLICATION LIST FOR BOTH ISSUES WILL
BE OPEN ON AUGUST 25.

ALTHOUGH SHORT TERM INTEREST RATES CONTINUED TO FALL
OVER THE WEEK, THE GILT BOOM APPEARED TO STALL. MARKET
PRICES IN FACT MOVED DOWNWARD FROM THE SET PRICES OF THE
TWO NEW ISSUES, SO MARKET SOURCES DO NOT EXPECT A HEAVY
APPLICATION THIS THURSDAY.

DATE	EXCHANGE RATE (\$)	(DEC. 1971)	GOLD (\$)
8/17	1.7410	62.1	143-7/8
8/18	1.7397	62.1	144-1/8

8/19	1.7404	62.1	144-1/8
8/22	1.7400	62.0	144-1/8
8/23	1.7402	62.0	143-5/8

CHANGE 8/16-8/23 DOWN 0.0001 DOWN 0.3 UP 1/4

FORWARD DISCOUNT ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
8/17	0.20	0.60	1.33
8/18	0.16	0.56	1.35
8/19	0.12	0.50	1.25
8/22	0.17	0.5L	1.25
8/23	0.10	0.40	1.07

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CHANGE 8/16-8/23 NAR 0.16 NAR 0.2L NAR 0.43

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INFO OCT-01 EA-12 IO-14 ISO-00 EURE-00 SP-02 USIA-15

AID-05 EB-08 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 DODE-00 NSCE-00

SSO-00 USIE-00 INRE-00 AGRE-00 FEAE-00 /121 W

-----036516 241737Z /40

O R 241712Z AUG 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7620

TREASURY DEPT WASHDC IMMEDIATE

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION GENEVA

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EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTHS
8/17	5-7/8	6-3/8	6-3/4
8/18	6-1/8	6-1/2	6-3/4
8/19	6-3/8	6-3/8	6-3/4
8/22	6-1/8	6-3/8	6-3/4
8/23	6-1/8	6-1/2	6-5/8

CHANGE 8/16-8/23 UNCHANGED UP 1/8 DOWN 1/4

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THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST
RATE DIFFERENTIAL

DATE	
8/17	3/8
8/18	1/16
8/19	3/8
8/22	1/4
8/23	1/16

CHANGE 8/16-8/23 NAR 5/32

STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTHS
8/17	6-11/16	6-9/16	7
8/17	6-23/32	6-1/2	7
8/19	6-5/8	6-5/8	7
8/22	6-9/16	6-9/16	7
8/23	6-9/16	6-5/8	7

CHANGE 8/16-8/23 DOWN 1/4 DOWN 5/32 DOWN 7/32

THE MINIMUM LENDING RATE WAS UNCHANGED AT 7 PER CENT FOLLOWING THE AUGUST 19 TREASURY BILL AUCTION. AT THE AUCTION THE AVERAGE TREASURY BILL RATE FELL TO 6.4204 PER CENT FROM LAST WEEK'S 6.4887 PER CENT, AS 1,124 MILLION POUNDS IN APPLICATIONS WERE RECEIVED FOR THE 300 MILLION POUNDS IN BILLS TENDERED. THIS WEEK 450 MILLION POUNDS IN BIDS WILL BE OFFERED AS 300 MILLION POUNDS MATURE.

STREATOR

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770306-0005
Format: TEL
From: LONDON USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770829/aaaaayfi.tel
Line Count: 436
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:06 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:02 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1d351054-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
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Original Previous Classification: n/a
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Review Exemptions: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1502443
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS FOR PERIOD AUG. 18-24
TAGS: ECON, ECRP, UK
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1d351054-c288-dd11-92da-001cc4696bcc
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Margaret P. Grafeld
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22 May 2009
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